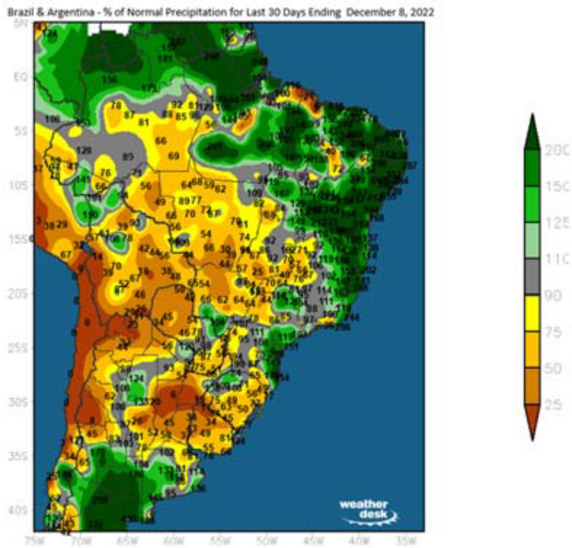
This has, generally speaking, been a quiet week with little fresh input in the run up to tonight's USDA report release as well as a fast-approaching year end. Brazil's CONAB released their latest report which showed the 2022/23 soybean output forecast at 153.48 million mt marginally down from 153.54 month on month. The planted area at 43.4 million ha was 4.6% up on the previous year. The 2022/23 corn output was forecast at 125.83 million mt, which is down from 126.4 month on month.



Of significance is the fact that if CONAB's figures are correct, and we would not question them at this time, the current soybean estimate is up 27 million mt year on year. Total S American soybean production is a record in the making, potentially as much as 32 million mt higher than last year. There is possibly more of a question mark over Brazilian corn output, many anticipate yield loss in southern Brazil, and we have to see the key March and April weather conditions behave favourably for CONAB's yield forecast to materialise.

Overall southern hemisphere production will be key to price direction in the coming weeks and months, and weather watching will be important.

Back in the northern hemisphere France's Agrimer estimated their wheat crop as all but fully planted and condition ratings at 97% good/excellent, a mere 1% below last week. We have no reason to suspect that other EU wheat crops are not faring similarly at this time given the broadly favourable planting season and early establishment. Key going forward will be adequate snow coverage to insulate the crop in regions that experience severe cold if winterkill is to be seen at average levels.

Soybean markets have pushed higher this week with meal making three consecutive contract highs. the January '23 contract has gained close to $60/ton in six days and has reached a 50% retracement from recent lows. The question will be, "Is this enough"? Time will no doubt tell. The upcoming S American bumper crop would seem to put something of a lid on rallies going forward.

Corn has latterly found some support from dryness in Argentina with weather forecasters predicting this to continue into mid-month. However, more recently some unexpected rains have fallen but with temperatures in the 100's and limited precipitation, we see little material improvement in the crop in the short-term. A weather pattern change is needed very early in the new year if the Argentine crop is to flourish.

Wheat markets are likely to see the USDA increases in both Russian and Australian output, offset to some degree by a reduction in Argentina. Argentine early yield data shows a year on year decline in the order of 30 plus percent, .In a change of direction, we have seen Russian cash prices increase slightly from a week ago although not to a sufficient degree to see any material switch in trade flows. Egypt's GASC was reported to have made a private deal with Russia to secure 260,000mt.

News out of China is that COVID restrictions are loosening and verbiage towards the West is softer. What this does to their economy and commodity buying is now the big question and will be watched closely.

Overall, despite the quiet week, we see wheat potentially forming a low point; we hesitate to suggest a bottom after the hectic year we have witnessed. The wheat market is very oversold from a technical perspective and has potential for recovery. Corn fundamentals point towards a weak demand picture with S American sellers dominating and growing US stocks, consequently we see rallies as limited for now. Similarly we see soybean rallies also limited based upon S American crop potential.